

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Retail Ground and Parcel Select Ground  
Service Standard Changes, 2022

Docket No. N2022-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 1  
AND NOTICE OF FILING UNDER SEAL

(Issued April 1, 2022)

Pursuant to Order No. 6124<sup>1</sup> and 39 C.F.R. §§ 3020.117 and 3020.118, the Postal Service is requested to respond to the following questions to clarify the record on its request for an advisory opinion under 39 U.S.C. § 3661(b) regarding Retail Ground (RG) and Parcel Select Ground (PSG) service standard changes.<sup>2</sup> To facilitate inclusion of the requested material in the evidentiary record, the Postal Service shall have a witness attest to the accuracy of the answers. For each question, produce every document (including any calculations, analysis, assumptions, studies, or workpapers) that was used, relied upon, or referenced in preparing the response. Responses shall be provided as soon as they are available, but no later than April 8, 2022.

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<sup>1</sup> Notice and Order on the Postal Service's Request for an Advisory Opinion on Changes in the Nature of Postal Services, March 23, 2022 (Order No. 6124).

<sup>2</sup> United States Postal Service's Request for an Advisory Opinion on Changes in the Nature of Postal Services, March 21, 2022 (Request).

1. Please refer to USPS-T-1.<sup>3</sup> Please also refer to USPS-T-2.<sup>4</sup> The Postal Service states that the proposed service standards for RG and PSG are predicated on, and would align with, the planned service standards for First-Class Package Service (FCPS)<sup>5</sup> within the contiguous United States. USPS-T-1 at 2, 4; USPS-T-2 at 10. The Postal Service further explains that it determined the proper transportation mode for “a given shipment” by first assessing whether surface transportation was logistically viable within the 5-day service standard window in the “current state of the FCPS surface transportation network” and if so, subsequently comparing the price of surface transportation to the price of air transportation. USPS-T-2 at 16-17. The Postal Service concludes that the consolidation of RG and PSG with FCPS would enable “further optimization” of the Postal Service’s surface transportation network by improving capacity utilization in surface lanes. *Id.* at 17-18. Please provide clarifications with respect to the transportation impact analysis that the Postal Service performed in the instant proceeding.
  - a. Please confirm that the current FCPS surface transportation network to which the Postal Service added RG and PSG packages represents the final network of the Postal Service’s transportation model identified as FCM/FCPS Model in the Docket No. N2021-2 Advisory Opinion.<sup>6</sup> If not confirmed, please provide a detailed description of the current FCPS surface transportation network to which the Postal Service added RG and PSG volumes and explain the transportation modeling technique

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<sup>3</sup> Direct Testimony of Steven E. Jarboe on Behalf of the United States Postal Service (USPS-T-1), March 21, 2022.

<sup>4</sup> Direct Testimony of Kevin P. Bray on Behalf of the United States Postal Service (USPS-T-2), March 21, 2022.

<sup>5</sup> See *generally* Docket No. N2021-2, Advisory Opinion on the Service Standard Changes Associated with First-Class Package Service, September 29, 2021 (Docket No. N2021-2 Advisory Opinion).

<sup>6</sup> See Docket No. N2021-2 Advisory Opinion at 114-20 for the discussion of the “final network” of the Postal Service’s FCM/FCPS Model.

(including the name(s) of any software packages utilized) that the Postal Service used to assess the impact of adding RG and PSG to FCPS flows.

- b. If question 1.a. above is confirmed, please also confirm that the starting point for the Postal Service's transportation impact analysis conducted in the instant proceeding included RG and PSG packages assuming transportation mode assignments for Origin-Destination processing facility pairs as they were determined in the FCM/FCPS Model.
  - i. If question 1.b. is not confirmed, please explain.
  - ii. If question 1.b. is confirmed, please also confirm that the shipments, for which cost-effectiveness was evaluated, included all volumes modeled in the FCM/FCPS Model and the newly added RG and PSG volumes. If not confirmed, please list the volumes included in the modeled network.
- c. If question 1.a. above is confirmed, please also confirm whether the transportation cost changes presented in USPS-T-3<sup>7</sup> and in Library Reference USPS-LR-N2022-1/1<sup>8</sup> represent changes in transportation costs that are additional to those projected from the FCM/FCPS Model, and stem solely from added RG and PSG volumes to the FCM/FCPS Model's final network. If not confirmed, please explain.

The following questions refer to witness Jarboe's testimony (USPS-T-1):

- 2. Please refer to USPS-T-1 at 2. The Postal Service states "[t]o evaluate the market potential of upgrading RG and PSG service standards, the Postal Service considered market data and industry trends in relation to the Postal Service product line and concluded that there was significant unmet market demand for a

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<sup>7</sup> See Direct Testimony of A. Thomas Bozzo on Behalf of the United States Postal Service (USPS-T-3), March 21, 2022, at 5-6.

<sup>8</sup> Library Reference USPS-LR-N2022-1/1, March 21, 2022, Excel file "RG.PSG.FCPS.Cost.Impact.public.xlsx," tab "Summary\_MP\_Trans," cell C6.

medium-speed, low-cost ground transportation product for shipping packages that was not addressed by any existing Postal Service product.” Please provide estimated volume that represents the “significant unmet market demand for a medium-speed, low-cost ground transportation product” and describe the source data and methodology used to estimate the volume.

3. Please refer to USPS-T-1 at 6. The Postal Service states “[t]his change would provide greater network efficiencies by aligning these products with a distinct network flow which would alleviate the down-ward pressure to maintain various service standards with different products.” Please explain what is meant by “down-ward pressure” in the above-referenced statement.
4. Please refer to USPS-T-1 at 7. The Postal Service states “...it is our experience that ground shipping customers tend to be more price conscious.” Please explain what is meant by “price conscious” in the above-referenced statement.
5. Please refer to USPS-T-1 at 8-9. The Postal Service states “FCPS provides a medium-speed, low-price shipping option for lightweight (less than a pound) packages. But the Postal Service has no similar product for large packages in the medium-speed, low-price market sector.” However, FCPS appears to represent the medium-speed, medium-price market sector in Figure 2, which illustrates “Products by Market Segment.”
  - a. Please describe the time period that is represented by Figure 2.
  - b. Please define the terms, “low-price,” “medium-price,” and “high-price” and provide the basis for the definitions.
  - c. Please refer to USPS-T-1 at 2 and confirm that the terms “low-price” and “low-cost” are used interchangeably. If not confirmed, please define the terms, “low-cost,” “medium-cost,” and “high-cost” and provide the basis for the definitions.
  - d. Please reconcile the above-referenced statement with Figure 2 regarding FCPS’s place in the market.

- e. Please provide an estimate of the average percentage price decrease required for Priority Mail (PM) to be considered “low-price.”
  - f. Please confirm that if the proposed service standard change is adopted, that there will no longer be a “low-speed, low-price” Postal Service large package delivery product. If not confirmed, please identify the product.
6. Please refer to USPS-T-1 at 10. The Postal Service states that “...having a 2- to 5-day product for both light and heavier packages will better align the Postal Service’s product portfolio to the package shipping market and enable the Postal Service to better compete with its private-sector competitors.”
- a. Please describe the attributes of the market or segment of the market in which the Postal Service believes
    - i. Retail Ground competes before and after the proposed change
    - ii. Parcel Select Ground competes before and after the proposed change
  - b. Please identify competing private sector products operating in the market or market segment for
    - i. Retail Ground before and after the proposed change
    - ii. Parcel Select Ground before and after the proposed change
  - c. Please provide a projection of new “medium-speed, low-price” package volume and revenue that the Postal Service expects to divert from its private-sector competitors and explain the basis for the projection.
7. Please refer to USPS-T-1 at 11. The Postal Service states, “[t]he level of diversion depends on the level of customer price sensitivity and specific service needs, given that PM remains a faster option in some lanes, with a 1- to 3- day service standard and therefore offers service enhancement that would continue to differentiate PM from an enhanced RG-PSG.”

- a. Please confirm that PM and RG-PSG large packages in Zones 1 through 4 receive approximately the same service with regards to speed. If not confirmed, please explain.
  - b. Please provide a projection of package volume and revenue that may be diverted from PM under the proposed service standard change.
8. Please refer to USPS-T-1 at 11. The Postal Service states, “[b]y consolidating RG and PSG volume with FCPS volume, the Postal Service can offer faster service for larger packages.” Please confirm that there will be no impact on the processing and transportation of PM under the proposed operational changes. If not confirmed, please describe the impact.

The following questions refer to witness Bozzo’s testimony (USPS-T-3):

9. Please see Attachment, filed under seal.
10. Please see Attachment, filed under seal.

Michael Kubayanda  
Presiding Officer